

**MEMORANDUM OF UNDERSTANDING**  
**between**  
**INTERNAL REVENUE SERVICE**  
**and**

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**LIMITED ISSUE FOCUSED EXAMINATION (LIFE)**

\_\_\_\_\_, hereinafter referred to as “the Taxpayer,” and the Internal Revenue Service (IRS) desire to enter into this Memorandum of Understanding (MOU) for a Limited Issue Focused Examination (LIFE). The Taxpayer and IRS have indicated their good-faith intentions to work diligently towards the timely completion of a LIFE examination.

The IRS and taxpayer agree to limit the examination to the issues identified on page 3 of this MOU and to conduct the examination as specified therein. Unless worker classification is specifically listed as a LIFE issue, it will not create a safe harbor under Section 530. Any expansion of scope will require approval of the team manager.

**(A) Periods to be Examined**

This LIFE MOU will cover the examination of the following returns and does not include employment tax returns unless specifically identified below:

Form	Period(s) Ending

**(B) Establishing and Adhering to Materiality Thresholds for Scope Expansion**

The IRS has determined the scope of the LIFE examination. To maintain the focus of the examination, the IRS and the Taxpayer agree that new issues should not be raised. The IRS will not expand the scope to new issues and the Taxpayer will not cause scope expansion through the submission of claims or affirmative issues unless the following thresholds are met:

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The following issues will not be subject to a materiality threshold(s) and can be examined regardless of when they are identified: tax shelters, coordinated issues, fraudulent items, items contrary to public policy, worker classification issues, executive compensation, and LMSB Field Directive issues. The establishment of a materiality threshold will not impact the requirement to verify the correct tax liability computation and the correlative adjustments.

Both parties reserve the right to correct obvious computational/mathematical or accounting errors/omissions. These corrections must not be technical or legal in nature and should require little time to resolve.

Both parties recognize that the materiality thresholds set for this cycle or tax period cannot be automatically utilized in another cycle or tax period.

If a non-disclosed abusive tax shelter or listed transaction is discovered during the course of the examination, the IRS will expand the scope of the examination to include the issue.

### **(C) Termination of the LIFE Process**

The LIFE process is a mutual undertaking. Significant or consistent failures by either party to adhere to the agreements set forth in this MOU may result in termination of the LIFE process.

Such failures include, but are not limited to:

- 1) Not entering into issue resolution discussions
- 2) Filing claims below the materiality threshold or the filing of claims without supporting documentation
- 3) Filing claims above the materiality threshold(s) after the date specified
- 4) Not disclosing an abusive tax shelter or listed transaction
- 5) Not adhering to any other commitment(s) included in this MOU

Upon termination of this agreement, the scope may be expanded to:

- Any issue(s) identified in the initial full risk analysis,
- Any new material issue(s) discovered during the LIFE examination that results in the termination of this agreement.

This may extend the estimated completion date of the examination.

The undersigned representatives of the Taxpayer and the IRS hereby indicate their mutual agreement to the objectives and procedural guidelines established herein. It is understood by both parties that this document is intended to govern the conduct of the examination, but is not a legally enforceable agreement.

Signatures and date:

For the Taxpayer:

\_\_\_\_\_  
Title: \_\_\_\_\_  
Date \_\_\_\_\_

For the IRS:

\_\_\_\_\_  
LMSB Team Manager  
Date \_\_\_\_\_

**LIFE MOU Attachment (or Continuation)**

**Taxpayer Name:** \_\_\_\_\_ **Form:** \_\_\_\_\_  
**Tax Identification Number** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
\_\_\_\_\_

**Primary Contact:** \_\_\_\_\_  
**Contact Telephone Number:** \_\_\_\_\_

	Period	Issue Description
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

Attach additional pages as needed.

**Expected Examination Completion Date:** \_\_\_\_\_

**Rollover and Recurring Adjustments**

The Taxpayer will provide the IRS with schedules and computations for all agreed rollover and recurring adjustments from any previously examined period, including the impact of any closing agreements or Appeals settlements. These items will be provided by \_\_\_\_\_.

Any resolution of prior cycle/tax years will be shared as soon as it becomes available and its impact on the current examination will be discussed.

**Claims**

All claims or affirmative issues exceeding the materiality threshold established in (B) above must be submitted by \_\_\_\_\_ and will be accompanied by supporting documentation.

**Information Document Requests (IDRs)**

Unless the examiner and the Taxpayer agree on a specific date for answering a particular IDR, all IDRs will be due within \_\_\_\_ days of the issuance. If for any reason this date cannot be met the Taxpayer should notify the IRS immediately. The IRS should timely review IDR responses for completeness and discuss with the Taxpayer.

**Notices of Proposed Adjustment (NOPA's)**

The Taxpayer agrees to respond to all NOPA(s) within \_\_\_\_ days of issuance, indicate agreement or disagreement, and state all relevant facts and legal arguments. The IRS and the Taxpayer will continually engage in discussions for the purpose of resolving factual or technical differences.

# Instructions for Completing the MOU

## General Information

This MOU will apply only to the taxpayer named and will cover only the return(s) listed in section (A). Neither the IRS nor the Taxpayer may change any of the provisions, responsibilities, or language specified in this MOU. Only the blank spaces may be filled. Any change in the language would serve to eliminate consistency in the application of the LIFE process.

## Document Header

Insert the Taxpayer's name.

## Paragraph 1:

Enter the name of the taxpayer.

## Section (A) - Periods to be Examined:

Enter the return form and tax period(s), to be covered by this MOU. This could be a Corporate Income Tax Return, a Partnership Return, an employment tax return, or another type of return. You may not mix legal entities, but may include multiple tax periods for the same taxpayer. A consolidated subsidiary is considered the same legal entity as its parent. If additional years are added to the examination, either a new MOU may be executed for the new years or pen and ink changes may be made with appropriate initials.

## Section (B) - Establishing and Adhering to Materiality Thresholds for Scope Expansion:

Insert language (or indicate there is an attachment) describing the materiality thresholds you have established to govern scope expansion for any new issues identified by the IRS or the Taxpayer claims and affirmative issues. Even if a threshold is met, managerial approval is required to expand the scope.

Ways of stating thresholds may include, but are not limited to:

- Income Items exceeding \$XX
- Expense Items exceeding \$XX
- Credits exceeding \$XX
- Balance Sheet accounts exceeding \$XX
- Schedule M-1/M-2 entries with a positive or negative value exceeding \$XX
- Credit based items exceeding \$XX
- Permanent Items exceeding \$XX
- Timing Items exceeding \$XX
- Credit Items exceeding \$XX
- Income items exceeding X% of Gross Receipts
- Expense item exceeding Y% of Total Expenses

The thresholds are set at the conclusion of the risk analysis. They may be based on the lowest dollar value for each type of issue included in the LIFE plan or another amount based on the examiner's professional judgment. The materiality thresholds may be established (or applied) either on the basis of the total consolidated return or any segment thereof (such as a subsidiary, legal entity, or division within a subsidiary).

## Signatures:

The LIFE MOU must be signed by a responsible corporate officer, TMP, or authorized representative of the taxpayer and the IRS Team Manager.

MOU Attachment: (Or Continuation)

Fill in the blank spaces.